

HOUSE FINANCE COMMITTEE
March 22, 2021
1:33 p.m.

1:33:05 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mike Cronk

PRESENT VIA TELECONFERENCE

Adam Crum, Commissioner, Department of Health and Social Services; Suzanne Cunningham, Legislative Liaison, Department of Health and Social Services; Megan Wallace, Director, Legislative Legal Services, Alaska State Legislature; Sabrina Javier, Analyst, Legislative Finance Division; Rob Carpenter, Deputy Commissioner, Department of Transportation and Public Facilities; Captain John Falvey, Director, Marine Highway Division, Department of Transportation and Facilities Maintenance; Matt McLaren, Business Manager, Marine Highway Division, Department of Transportation and Public Facilities.

SUMMARY

HB 76 EXTENDING COVID 19 DISASTER EMERGENCY

CSHB 76(FIN) was REPORTED out of committee with a "do pass" recommendation and with a "do pass" recommendation and with five previously published notes, three with zero fiscal impact: FN1(CED), FN2(DHS), and FN3(DPS); and two with indeterminate fiscal impact: FN4(MVA) and FN5(REV).

PRESENTATION: ALASKA MARINE HIGHWAY SYSTEM BY DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair Merrick reviewed the agenda for the day.

#hb76

HOUSE BILL NO. 76

"An Act extending the January 15, 2021, governor's declaration of a public health disaster emergency in response to the novel coronavirus disease (COVID-19) pandemic; providing for a financing plan; making temporary changes to state law in response to the COVID-19 outbreak in the following areas: occupational and professional licensing, practice, and billing; telehealth; fingerprinting requirements for health care providers; charitable gaming and online ticket sales; access to federal stabilization funds; wills; unfair or deceptive trade practices; and meetings of shareholders; and providing for an effective date."

1:33:35 PM

Co-Chair Merrick reported there were two amendments remaining. The committee had been discussing a conceptual amendment by Representative Carpenter to Amendment 7 by Representative Thompson when the committee adjourned. Megan Wallace and Andrew Dunmire from Legislative Legal Services online and available for questions. She asked that for clarity of the record that the motions in progress on Friday be removed and restated.

Representative Carpenter WITHDREW his original conceptual amendment to Amendment 7.

Representative Thompson WITHDREW Amendment 7.

[1:35:05 PM](#)

Representative Thompson MOVED to ADOPT Amendment 7 (copy on file):

Page 1, lines 1 - 9:

Delete all material and insert:

"An Act relating to the state's response to and recovery from the novel coronavirus disease (COVID-19) pandemic; making temporary changes to state law in response to the COVID-19 outbreak in the following areas: powers delegated to the governor; powers delegated to the Department of Health and Social Services; powers delegated to the Department of Military and Veterans' Affairs; occupational and professional licensing, practice, and billing; telehealth; fingerprinting requirements for health care providers; charitable gaming and online ticket sales; access to federal stabilization funds; wills; unfair or deceptive trade practices; and meetings of shareholders; relating to informed consent for COVID-19 vaccines; relating to personal objections to the administration of COVID-19 vaccines; relating to civil and criminal liability; and providing for an effective date."

Page 1, line 11, through page 5, line 17:

Delete all material and insert:

"* Section 1. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT: COVID-19 PANDEMIC RESPONSE.
It is the intent of the legislature that

(1) certain limited authority be granted to the governor, the Department of Health and Social Services, the Department of Military and Veterans' Affairs, and the Department of Commerce, Community, and Economic Development to implement the state's response to the ongoing pandemic related to

the novel coronavirus disease (COVID-19);
and

(2) the governor is authorized to communicate to federal agencies that the authorities granted by this Act are in response to the ongoing pandemic and statewide public health emergency posed by COVID-19 and tied to the federal public health emergency and major disaster declarations.

* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to read:

POWERS OF THE GOVERNOR. The governor may

(1) issue an order or regulation necessary to implement secs. 2 - 10 of this Act;

(2) suspend the provisions of a regulatory statute prescribing procedures for the conduct of state business, or the orders or regulations of a state agency, if compliance with the provisions of the statute, order, or regulation would prevent, or substantially impede or delay, action necessary to respond to and aid in the recovery from the pandemic related to the novel coronavirus disease (COVID-19);

(3) use all available resources of the state government and of each political subdivision of the state as reasonably necessary to aid in the recovery from the pandemic related to COVID-19;

(4) control ingress to and egress from an area of the state, the movement of persons within the area, and the occupancy of premises in it, as reasonably necessary to aid in the recovery from the pandemic related to COVID-19; and

(5) allocate or redistribute food, water, fuel, clothing, medicine, or supplies as reasonably necessary to aid in the recovery from the pandemic related to COVID-19.

* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to read:

POWERS OF THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES. Notwithstanding any other provision of law, the Department of Health and Social Services may

- (1) coordinate, allocate, distribute, and manage the state's vaccination and therapeutic response to the novel coronavirus disease (COVID-19) pandemic; and
- (2) continue cooperating with the federal government on
 - (A) emergency allotments under the Supplemental Nutritional Assistance Program;
 - (B) blanket waivers enacted by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services;
 - (C) waivers under section 1135 of the Social Security Act; and
 - (D) waivers under section 1915(c) of the Social Security Act, including Appendix K.

* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to read:

POWERS OF THE DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS.

- (a) The Department of Military and Veterans' Affairs may
- (1) support and assist the Department of Health and Social Services implementing the provisions of sec. 3 of this Act;
 - (2) receive delegations of authority from the governor allowing activation of the Alaska organized militia under AS 26.05 .070 to respond to, and aid in the recovery from, the novel coronavirus disease (COVID-19) pandemic; and
 - (3) coordinate with the Federal Emergency Management Agency to maintain or increase funding for non-congregate shelters providing temporary quarantine and isolation for the following:

(A) a first responder or health care worker who must quarantine to prevent exposure to family members;

(B) members of a homeless family residing in a congregate shelter if at least one member of the family tested positive for COVID-19 and requires isolation;

(C) a homeless individual who has tested positive for COVID-19 or who has been exposed to COVID-19 and requires isolation while awaiting test results;

(D) a homeless shelter occupant;

(E) an individual living with a certain underlying medical condition identified by the Centers for Disease Control and Prevention, United States Department of Health and Human Services, that places the individual at increased risk of severe illness from COVID-19, including cancer, chronic kidney disease, chronic obstructive pulmonary disease, Down syndrome, heart conditions, an immunocompromised state resulting from solid organ transplant, obesity, severe obesity, pregnancy, sickle cell disease, smoking, and type 2 diabetes mellitus.

(b) In this section, "non-congregate shelter" includes hotels, college and university dormitories, and properly modified nontraditional structures."

Renumber the following bill sections accordingly.

Page 5, lines 28 - 29:

Delete ", or 60 days after the date the governor determines, under sec. 2 of this Act, that the public health disaster emergency no longer exists, whichever is earlier"

Page 6, lines 2 - 4:

Delete "during the novel coronavirus disease (COVID-19) public health disaster emergency declared by the governor on January 15, 2021, as extended by sec. 2 of this Act,"

Page 6, line 10:

Delete "public health disaster emergency"

Insert "novel coronavirus disease (COVID-19)
pandemic"

Page 6, line 11:

Delete "the earlier of"

Insert "September 30, 2021."

Page 6, lines 12 - 14:

Delete all material.

Page 6, line 16:

Delete "public health disaster emergency"

Insert "novel coronavirus disease (COVID-19)
pandemic"

Page 7, lines 8- 10:

Delete "during the novel coronavirus disease
(COVID-19) public health disaster emergency
declared by the governor under AS 26.23.020 on
January 15, 2021, as extended by sec. 2 of this
Act,"

Page 7, line 31, through page 8, line 1:

Delete "COVID-19 public health disaster
emergency"

Insert "novel coronavirus disease (COVID-19)
pandemic"

Page 8, lines 8 - 10:

Delete "For the duration of the novel coronavirus
disease (COVID-19) public health disaster
emergency declaration issued by the governor on
January 15, 2021, as extended by sec. 2 of this
Act, the"

Insert "The"

Page 9, lines 10 - 12:

Delete "for the duration of the novel coronavirus
disease (COVID-19) public health disaster
emergency declared by the governor under AS
26.23.020 on January 15, 2021, as extended by
sec. 2 of this Act,"

Page 10, lines 18 - 30:

Delete all material and insert:

"CIVIL AND CRIMINAL LIABILITY. (a) A state agency, or an employee or agent of the state acting in an official capacity for the state, is immune from civil and criminal liability for acts performed in good faith based on the authority granted by this Act.

(b) A person is immune from civil and criminal liability for acts performed in good faith at the request of a government agency acting on the authority granted by this Act. This immunity does not apply to an act or omission that constitutes gross negligence, reckless misconduct, or intentional misconduct."

Renumber the following bill sections accordingly.

Page 10, line 31, through page 11, line 4:

Delete all material and insert:

"* Sec. 14. Sections 1 - 4 and 6 - 13 of this Act are repealed September 30, 2021."

Representative Wool OBJECTED for discussion.

Representative Carpenter MOVED to ADOPT Amendment 1 to Amendment 7 (copy on file):

Page 1, line 5 of the amendment:

Delete "powers delegated to the governor;"

Page 1, line 21 of the amendment:

Delete "the governor,"

Page 2, lines 6 - 22 of the amendment:

Delete all material.

Page 2, line 23 of the amendment:

Delete "Sec. 3"

Insert "Sec. 2"

Page 3, line 7 of the amendment:

Delete "Sec. 4"

Insert "Sec. 3"

Page 3. line 12 of the amendment:

Delete "sec. 3"

Insert "sec. 2"

Page 4. line 21 of the amendment:
Delete "September 30. 2021"

Page 5, line 27 of the amendment:
Delete""

Page 5, following line 27 of the amendment:
Insert a new subsection to read:

(c) A person may not be held liable for an action taken on, before, or after the effective date of this Act that complies with or does not comply with an order, proclamation, or declaration adopted by the governor to respond to the declaration of a public health disaster emergency or to respond to this Act."

Page 6, line 2 of the amendment:
Delete all material and insert:
"* Sec. 13. Sections 1 - 3 and 5 - 12 of this Act are repealed May 31, 2021."

Representative Wool OBJECTED for discussion.

Co-Chair Merrick invited Representative Carpenter to discuss his amendment.

Representative Carpenter indicated his amendment had already been discussed.

Representative Thompson MOVED to divide the question. His intention by dividing the question was to hold a separate vote on the portions of the amendment that deleted the powers of the governor. The applicable portions could be found in Amendment 1 to Amendment 7 from lines 1-20 [Amendment 1 to Amendment 1 to Amendment 7]. The remainder of the amendment would be voted on separately [Amendment 1A to Amendment 1 to Amendment 7].

1:36:00 PM
AT EASE

1:37:58 PM
RECONVENED

There being NO OBJECTION, it was so ordered. The question was divided.

Representative Merrick clarified that the committee would first vote on Amendment 1 to Amendment, lines 1-20.

Vice-Chair Ortiz OBJECTED.

[1:38:38 PM](#)

AT EASE

[1:39:26 PM](#)

RECONVENED

Representative Merrick reiterated that the committee would be voting on Amendment 1 to Amendment 7, lines 1-20.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Thompson, Carpenter, Johnson
OPPOSED: Ortiz, Wool, Edgmon, Josephson, Merrick, Foster

The MOTION FAILED (5/6). Amendment 1 to Amendment 7, lines 1-20 FAILED to be ADOPTED.

Representative Merrick moved to the second portion of Amendment 1 to Amendment 7 lines 21-23 on page 1 and lines 1-15 on page 2.

Representative Ortiz OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Carpenter
OPPOSED: Thompson, Wool, Edgmon, Johnson, Josephson, LeBon, Ortiz, Rasmussen, Foster, Merrick

The MOTION FAILED (1/10). Amendment 1 to Amendment 7 lines 21-23 on page 1 and lines 1-15 on page 2 FAILED to be ADOPTED.

[1:41:41 PM](#)

Representative Thompson returned to his original Amendment 7. He had already explained the amendment and invited the administration to comment.

Co-Chair Merrick clarified that he was talking about Amendment 7.

ADAM CRUM, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, commented that the Amendment 7 still supported the governor's position that the disaster declaration was not needed nor the broad authority contained within the Alaska Disaster Act. The amendment provided the limited authority for the state to continue essential response elements. The administration was supportive of Amendment 7.

[1:43:10 PM](#)

SUZANNE CUNNINGHAM, LEGISLATIVE LIAISON, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, did not have any further comment outside of what Commissioner Crum stated. The amendment met the request of the governor to outline certain authorities to support the continued response to Covid-19 in Alaska.

Representative Thompson indicated that Amendment 7 deleted the language inferring a declaration of emergency.

Representative Rasmussen commented that the Senate leadership had announced a condensed version of SB 56 which she thought was the companion bill to SB 76. She asked the administration to highlight Amendment 7 and how similar the language was to what might be coming out of the Senate soon. Ms. Cunningham replied that she had not reviewed the language or a committee substitute for SB 56 yet. She could provide a written response to the committee once she was able to review the legislation.

Representative Josephson would not be supporting Amendment 7. He noted that the bill already pared back what was done in late March. It no longer spoke to medical officers' standing orders, elections by mail, forbearance of state loans, or Workers' Compensation presumption. The amendment did not discuss RCA deadlines, sanitation for retail sellers, moratoria on disconnection of residential utilities, moratoria on evictions or foreclosures, moratoria on repossession of motor vehicles, Permanent Fund absences, income determination, seafood distribution, and the homelessness assistance in the Office of Administration's flexibility. He reiterated that the bill was already significantly pared down. The bill before the

committee without Amendment 7 provided what the administration needed.

Representative Thompson noted that the governor's letter of March 18, 2021, to Speaker Stutes indicated that a disaster declaration was no longer needed. However, legislation was needed to support the state in its continued public health response. However, limited authority to support the state's response was needed and addressed in the amendment.

Vice-Chair Ortiz MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Thompson, Johnson, LeBon, Rasmussen

OPPOSED: Wool, Carpenter, Edgmon, Josephson, Ortiz, Merrick, Foster

The MOTION FAILED (4/7). Amendment 7 FAILED to be ADOPTED.

[1:48:29 PM](#)

Co-Chair Merrick indicated that Amendment 1 was rolled to the bottom of the list. Megan Wallace was online from Legislative Legal Services to speak to the legal opinion members received in the prior week from Representative Carpenter.

Representative Josephson MOVED to ADOPT Amendment 1 (copy on file):

Page 1, line 2, following "pandemic;":

Insert "approving and ratifying declarations of a public health disaster emergency;"

Page 3, line 21, following "EMERGENCY;":

Insert "APPROVAL, RATIFICATION, AND"

Page 3, line 22, following "EMERGENCY.":

Insert a new subsection to read:

"(a) The declarations of a public health disaster emergency issued by the governor on November 15, 2020, December 15, 2020, and January 15, 2021, are approved and ratified."

Reletter the following subsections accordingly.

Page 3, line 28:
Delete "(a) "
Insert "(b) "

Page 4, line 5:
Delete "(b) "
Insert "(c) "

Page 11, line 7:
Delete "If this Act takes effect after February 14, 2021"
Insert "(a) Except as provided in (b) of this section"

Page 11, following line 8:
Insert a new subsection to read:
"(b) Section 2(a) of this Act is retroactive to November 15, 2020."

Representative Rasmussen OBJECTED for discussion.

Representative Josephson reviewed the amendment. The amendment stated that the legislature blessed and decreed that the three emergency declarations from November 15, December 15, and January 15 were fully ratified. The legal memo, broadly speaking, stated that it was okay to retroactively ratify the declarations. He reported that on the prior Saturday the legislature essentially ratified earlier Zoom hearings that were held remotely by non-profits and corporations dating back to March 11. In other words, the legislature blessed an entire year of board and non-profit meetings. The vote was unanimous in both bodies. He was encouraging the legislature to do so again as it related to the emergency declarations. The amendment did two very important things. The amendment stated that the legislature had the sole authority to extend a declaration. It would also give political cover to the governor and the legislature.

Representative Rasmussen declined to speak to her objection.

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Co-Chair Merrick asked Ms. Wallace to provide a brief explanation of the memo that the committee was provided a

copy by Representative Carpenter in the prior week. She also asked for a detailed description of section 3 which dealt with the financing of the bill.

MEGAN WALLACE, DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE, responded that regarding the memo about the extension of a disaster and whether the retroactivity provision currently contained in the bill would cause a legal issue given that the state was no longer under an active disaster declaration, the memo given to the committee generally went through that the legislature should consider when inserting a retroactivity provision into legislation. Retroactivity provisions were not uncommon legislative tools. From a legal perspective, it had the effect to go backwards in time, meaning that there was no break from a legal perspective with respect to a law that was made to have retroactive effect.

Ms. Wallace noted that one of the most common areas of concerns for a retroactivity provision was for the legislature to make sure it was not creating a penalty or other penal punishment for conduct that was not unlawful at the time a person acted or did not act a certain way. Retroactive criminal provisions, for example, generally were not permitted except in rare circumstances. The memorandum before the committee generally outlined and inserted language from the manual of legislative drafting outlining best practices with respect to retroactivity provisions. However, as the opinion noted, her opinion was that the retroactivity provision that was currently in HB 76 would likely survive a challenge if it was challenged. As the opinion noted it would be an issue of first impression. There was always some risk that someone could make a different argument to mount a challenge to this provision.

Co-Chair Merrick indicated Representative Cronk had joined the meeting. She asked Ms. Wallace to comment on the financing plan in Section 3.

Ms. Wallace was generally familiar with the financing plan. Andrew Dunmire from her office had been specifically involved with drafting HB 76 and the provisions in front of legislators. She detailed that Alaska Statute 26.23.020 which was part of the disaster act specifically provided certain limitations of what the governor could spend in response to a disaster without legislative approval.

Section 3 was the legislature approving a financing plan and setting out expectations of the sources of funds that the governor would utilize in response to a disaster. She noted that there were some provisions in the Alaska Disaster Act that allowed the governor to expend from the Disaster Relief Fund in an effort to respond to a disaster. The provision in Section 3 more narrowly defined what was approved for financing and expenditure relating to the Covid-19 disaster contemplated in HB 76.

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Representative LeBon asked the administration online if they had an opinion regarding the amendment being discussed. Commissioner Crum indicated the administration had no opinion on the amendment.

Representative Rasmussen MAINTAINED her OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Wool, Edgmon, Josephson, Ortiz, Foster, Merrick
OPPOSED: Carpenter, Johnson, LeBon, Rasmussen, Thompson

The MOTION PASSED (6/5). Amendment 1 was ADOPTED.

Representative Merrick relayed that the committee had concluded amendments on HB 76. She asked if there was any discussion about the bill before moving it from committee.

Representative Carpenter appreciated the comments about the legislature caring about its responsibility regarding disaster declarations. He believed that the action the committee was taking regarding retroactivity was not the intention of the Alaska Constitution or the Alaska Statutes. The governor had clearly communicated that he did not want to have an emergency declaration. The representative asserted that the committee was using retroactivity to force an emergency declaration on the governor. He believed it was a mistake, a bad precedent, and unnecessary in addressing the Covid crisis.

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Vice-Chair Ortiz took a slight exception with the comment that the governor had clearly expressed his desire not to have an emergency declaration. He elaborated that it was

about a month ago when the governor submitted HB 76 as a governor's bill which was an extension of the emergency declaration. He was unclear what had transpired in the past month to change the governor's mind.

Representative Rasmussen commented that if the legislature's goal was to pass a piece of legislation quickly to the other body and to the executive branch giving limited powers to the administration as tools for navigating through the end of the pandemic, she thought the best option would be to consider it on the full floor with Amendment 7. She relayed that the public had expressed strong concern against another disaster declaration. The administration requested specific limited powers that allowed the state to navigate out of the economic crisis that had followed so many business closures from the pandemic. The bill allowed for the vaccine allocation to those who wish to vaccinate and suspended regulations that were needed for some telehealth and airport testing.

Representative Rasmussen remarked that the airport testing had been very successful in a number of cases that had been caught. As the state geared up for the summer and hopefully brought up as many tourists to the state as possible, it was important that there were measures in place to protect Alaskans especially in smaller communities that might not have access to the same medical facilities as there were in larger cities. Alaska's cases had drastically declined. The state needed to get businesses back open and give confidence to Alaskans as everyone went back to life as normal. She did not think it was appropriate to reference a bill that the legislature passed in March 2020 prior to the height of the pandemic. The legislature did not know what powers the governor would need to protect Alaskans at the time and what tools the state would need to handle what the state was likely to face. she appreciated that the bill before the committee had more limited tools. She still thought the legislation went a little too far. She hoped the legislature would consider which battles were the most important to fight. She opined that the legislature was fighting to give tools to the administration that they were not asking for. She was aware of a significant amount of work before the House Finance Committee including a budget and some serious fiscal challenges. She hoped the committee would not dwell too long on the issue moving past it to get to the serious work of the state.

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Representative Josephson used a baseball metaphor to point out that the state had lost 544,000 people. He argued that if the administration did not want the powers outlined in the bill, they had the discretion to not use them. However, they should be provided to them. The powers helped to provide local guidance. Alaska had done well with vaccination, yet there were variants that caused concern. He brought up that the capital in Boise, Idaho had people leaving because of not being able to contain the virus. He did not think it was unreasonable to pass the pared down version of the emergency declaration to the floor and the other body. He noted that there were 17 states with rising cases presently. Alaska had done well, and he wanted it to keep doing well. He would be supporting the bill.

Representative Wool agreed with the previous speaker. He had heard that 17 states were seeing a rise in case counts. Many of those state had high vaccine rates. He mentioned the variants that were 56 percent more contagious. He did not think the pandemic was over. He believed it was a good idea to provide additional tools to the administration. He suggested that if the state wanted to recover economically and be one of the safest states in the country, it should use the tools at the state's disposal. He supported the disaster declaration as did the administration a month prior. He was unsure why the governor had changed his position. He thought it was better to be on the safe side. He did not want to do anything that would impede businesses or the economy from moving forward.

[2:07:22 PM](#)

Representative Thompson read a portion of a letter from Governor Dunleavy dated March 18, 2021:

My administration conducted a thorough analysis to determine what essential tools were necessary to continue the State's public health response. We concluded we needed limited authorities to support four elements of the state's response:

- The ability to allocate and distribute vaccines and therapeutics.
- Limited immunity for officials performing their duties related to the state's response plan.

- The continued use of enhanced telehealth services.
- Necessary authority accessing federal relief funding as they pertain to the state's continued response and nexus to the federal public health emergency and major disaster declaration.

Though the above items need legislation, none need a disaster declaration, nor the broad authorities contained within the Alaska Disaster Act, to occur. Despite having made it clear that the State does not need a disaster declaration, the House Health and Social Services Committee chose to move the bill, HB 76, forward with a full disaster declaration included.

Representative Thompson stated that in response to the prior speaker, everyone wanted to see Alaska's businesses open up and for them to get back to work. However, a full disaster declaration would give the governor authority to cut back on all of it. He could things in the future by shutting down businesses and shutting down travel which was allowed in HB 76. He was not in support of HB 76 in its current form.

Representative Edgmon commented that he had more faith in the administration than the previous speaker. He suggested that by providing a disaster declaration, the legislature would simply be giving the governor the option to put it in motion. In terms of the pandemic, last week there were 27 known variants in the United States, 5 of which were in Alaska. He noted that only about one-fourth of Alaskans had been fully vaccinated, and many would choose not to vaccinate. He argued that Alaska was not out of the woods with the pandemic.

Representative Edgmon thought it was unfortunate that the issue had become highly politicized across the country. The committee had heard a clear demarcation line between people who viewed the bill as giving the governor shutdown powers and people that viewed it as an infringement to personal liberties. He argued in favor of joining a number of entities who vigorously requested that the legislature keep the disaster declaration in place. In his view, not giving the governor the authority would be short-sided, and he believed he would be shirking his fiduciary duty as a policy maker to not look at the data objectively. He asked what would happen if things took a turn for the worse and the legislature was out of session. He wondered what the

governor would do then. If the variant took hold in Alaska, the governor did not have the authority to put public health mandates back into place.

Representative Edgmon continued that as a legislator he had to look into the future weighing the information in front of him and making the best decision possible. The majority of his constituents supported having every protective means in place. For those in his district that did not support the bill, he was happy to explain that the legislature was just giving the governor a tool if he needed it. His neighbor in Dillingham came to mind who had a snow plow on his truck. He would not discourage him from keeping the plow on his truck. He was thinking on the lines of protection, what could happen, and being prepared.

Representative Edgmon noted being on a Zoom call with Dr. Anne Zink, who indicated there was still widespread transmission of Covid-19 in Alaska. The situation had improved, as the state's death rates were down and intensive care units were in better shape. However, there were strains of the variants that were unknown, and it was unclear how the vaccines would work against them. He supported giving the governor a way to put a disaster emergency in place if needed. He hoped the governor would not have to use it or have to participate in any health mandates that would restrict individual liberties or what might happen on a broader scale in the state.

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Representative LeBon suspected the bill would pass out of the House Finance Committee and delivered for further debate. He thought between the Senate and House versions of the bill, a grand bargain would be negotiated and delivered to the governor for endorsement. Ultimately, it would be up to the administration to accept the authority. He was pleased the committee amended the bill to offer private sector business liability protection and thanks members for their support on the issue. However, he wished the committee had adopted Representative Thompson's amendment, because it would have aligned with the administration. The amendment originated with the help of the administration. The committee's failure to adopt the amendment created a slight problem.

Representative Wool thanked Representative LeBon for introducing the amendment that would help protect small businesses. As a formal small business owner, he truly appreciated it and would be supporting the bill with the amendment in it. He noted the Alaska Chamber of Commerce supported the bill. He also noted receiving an email of support from the Fairbanks Economic Development Corporation (FEDCO). He thought the bill was a pro-business bill piece of legislation which provided tools.

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Representative Johnson told a fishing joke. She was trying to say that certain tools were not always welcomed. The governor had indicated he did not want or support the bill. Although the governor originally introduced the bill, it had morphed into a different iteration not supported by the governor. She continued that while she appreciated the amendment that provided a liability, she thought it kept small business owners in a state of uncertainty. She would not be supporting the bill.

Representative Carpenter noted that trust in the governor had been brought up earlier. He thought the sequencing of events and the statute as written was important to keep in mind. If the legislature was looking at a disaster declaration that was currently in affect, the statute and the timing of the disaster declaration would matter. The statute specifically stated that only the legislature could extend a declaration past 30 days. He asserted it had been a travesty that the legislature was unable to deal with the issue previously when other emergencies were declared. The legislature should have had played a role.

Representative Carpenter commented that as far as timing went the governor had changed his mind and conditions had changed. In his letter, the governor stated he was no longer interested in declaring an emergency. The governor could accomplish everything he needed without an emergency declaration in place. The representative indicated that per statute the legislature had the right to extend an emergency declaration currently in effect. He suggested that there were no emergency declarations currently in effect, nor was the governor requesting one. He agreed with an earlier comment that politics were being played. He reiterated that the governor did not want an emergency

declaration presently, yet the legislature was going to give him one. He thought it was a mistake.

[2:20:48 PM](#)

AT EASE

[2:22:19 PM](#)

RECONVENED

Co-Chair Merrick asked Sabrina Javier from the Legislative Finance Division (LFD) to review the fiscal notes.

SABRINA JAVIER, ANALYST, LEGISLATIVE FINANCE DIVISION, relayed that there were 5 fiscal notes for HB 76. She indicated that for most of the fiscal notes, LFD saw no technical issues. However, she noted that the fiscal note by the Department of Military and Veterans Affairs for the Office of the Commissioner allocation had an indeterminate figure. The indeterminate status was due to the unknown need for state active-duty deployment. She believed the guard could be deployed for a federal disaster without a state disaster being declared. She asked the department if there would be a fiscal impact of deploying the state defense force without a state disaster being active. Emergency management responded that if a public health disaster emergency was not extended, state active duty could be used for the Covid-related items (contact tracing, vaccine distribution, and others) because they were still under the federal declaration DR4533 and the state declaration AK269.

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Representative Thompson clarified that both SB 56 and HB 76 were penned by the administration in January 2021. He pointed out that it had been more than two months prior. Since that time, the governor had indicated he did not need one. He would be a "no" vote.

Co-Chair Merrick stated that it was imperative that Alaskans understood that HB 76 did not implement any mandates: no mask mandates; no occupancy restrictions; and no business or school closures. She emphasized that it also did not impose mandatory vaccinations.

Co-Chair Foster MOVED to report HB 76 (FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Thompson OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Edgmon, Josephson, Ortiz, Wool, Foster, Merrick
OPPOSED: Carpenter, Johnson, LeBon, Rasmussen, Thompson

The MOTION PASSED (6/5).

CSHB 76(FIN) was REPORTED out of committee with a "do pass" recommendation and with a "do pass" recommendation and with five previously published notes, three with zero fiscal impact: FN1(CED), FN2(DHS), and FN3(DPS); and two with indeterminate fiscal impact: FN4(MVA) and FN5(REV).

[2:27:02 PM](#)

AT EASE

[2:29:07 PM](#)

RECONVENED

Co-Chair Foster indicated the committee would be hearing a presentation by DOT.

^PRESENTATION: ALASKA MARINE HIGHWAY SYSTEM BY DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[2:29:34 PM](#)

ROB CARPENTER, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself and the PowerPoint presentation: "Alaska Marine Highway System." He began by discussing the challenges faced by the Alaska Marine Highway System (AMHS) on slide 2. He highlighted some of the challenges AMHS was facing. He noted the state's exceptionally aging fleet of vessels. They were immensely challenging to operate and very expensive. He mentioned dealing with several turnover and recruitment issues, especially related to AMHS' declining budget. The uncertainty of the budget made it challenging to recruit and maintain employees year-round.

Mr. Carpenter continued that AMHS was also faced with challenges related to system reliability and vessel flexibility. He noted in the governor's reshaping workgroup report that recently came out that system reliability was a focus and had to do with the aging of the AMHS fleet and budgetary impacts. He indicated that AMHS had a couple of new ships that were limited in what they could do and did not provide the redundancy and reliability needed for the system. The department was examining ways to improve vessel flexibility. The collective bargaining agreements provided some management challenges for the ferry system, because of their complexity and detail. He relayed that Covid-19 had been a major problem for the ferry system. However, the AMHS had success after an initial experience on the M/V Tustumena. The department implemented a mitigation plan that had worked well. He mentioned the closure of service to Prince Rupert. The department was working towards returning to service in Prince Rupert. It was an ongoing issue.

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Representative Thompson had a question about the collective bargaining agreements. Specifically, he wondered about the bar closures on the ferries. He noted that a few years ago the legislature was trying to figure out how to slow down the losses to AMHS. The state closed the bars on the ferries. He had spoken with the Alaska Brewing Company who claimed they rolled hundreds of kegs of beer onto the ferries and that any businesses that went through that amount of beer had to be profitable. He suggested the possibility of leasing the bar to a local or individual business. He was told that the bargaining agreement prevented vendors from going onto the ships including bar and gift shop vendors. He looked into the issue and found that the ships' bartenders were being paid \$110,000 per year. He wondered if the circumstances had changed any.

Mr. Carpenter indicated that the bars were closed on the vessels. He thought Representative Thompson was correct regarding the bartender salary. He invited Captain Falvey to make any additional comments.

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CAPTAIN JOHN FALVEY, DIRECTOR, MARINE HIGHWAY DIVISION,
DEPARTMENT OF TRANSPORTATION AND FACILITIES MAINTENANCE,

replied that the bars and gift shops on the AMHS ferries remained closed. The cost to staff the positions were very costly. He indicated that the system was losing over \$1 million per year on bars and giftshops. The circumstances had not changed. The ferry system served beer and wine on some vessels and required a liquor license. He reiterated that not all of the vessels served beer and wine. The bargaining agreements had not changed and the state could not outsource the bars and the gift shops.

Representative Thompson recalled that the committee had been told that the bars were losing \$500,000 each year. He asked if the restrictions on outsourcing remained in effect. Captain Falvey replied that Representative Thompson was correct.

Representative Thompson pointed out that at the time closing the bars was being discussed, the union contract did not allow workers to be laid off. They continued to work doing shore duties. It was a point he wanted to emphasize.

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Representative Rasmussen met with one of the unions in 2019. They had mentioned the possibility of cost savings if the state would work with them on giving them the ability to handle the scheduling. There was some element that would have saved the state money. She was curious if any of the conversations had happened in the prior 2 years between the state and the union.

Captain Falvey thought the representative was referring to dispatching of the ferry system's unlicensed IBEW and the AMEBA staff. He reported that AMHS had not entertained the idea, as it was a very complex evolution. In the case of complex contracts, the state had to be very careful how it dispatched people. Care needed to be taken with payment and travel. He relayed that AMHS had vacation committees to pre-discuss when employees on the ship came and went for the officers and the unlicensed. It helped to alleviate some of the challenges of dispatching crews.

Representative Rasmussen asked Mr. Falvey to discuss what happened to the employees when a ship broke down or needed repair. She wondered if the employees were stranded for days or weeks.

Captain Falvey responded that if a ship broke down the employees stayed with the ship until it was time for them to rotate out. At times AMHS had to do fly-in crew changes. Currently, AMHS was changing crews every 2 weeks due to Covid-19. In prior agreements with the unions most of the crew were changing on a weekly basis. Presently it had changed to every 2 weeks to reduce Covid exposure for crews coming and going.

Representative Rasmussen asked what AMHS did when a vessel went down leaving passengers stranded for days and weeks. She wondered if a system was in place to make sure people got home. She had heard concern about the reliability of the vessels. She thought it would be an increasing problem if people were stranded. At some point they might not trust the reliability of the system.

Capitan Falvey responded that AMHS did its best to work with the passengers that were on a broke down vessel. In prior years when there were more ships in operation and there was more flexibility to reroute another ship running up through the system. Presently, with only 6 ships running, it limited the system from responding. In severe cases such as the recent breakdown of the M/V Matanuska heading to Sitka, the department refunded monies which allowed passengers to fly to their destination and barge their vehicles. The ferry system assisted passengers with getting alternate transportation. In the case of the M/V Matanuska breakdown, the ship was repaired within a few days and brought those passengers headed to Haines and Skagway through the Northland Canal. The Alaska Marine Highway System dealt with breakdowns on a case-by-case basis working closely with passengers to help them get home.

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Representative Rasmussen asked Captain Falvey to estimate how frequently a vessel broke down each year.

Captain Falvey did not think it was as often as a person might anticipate. Over 12 months, aside from an 8-week overhaul period in a shipyard, a breakdown or repair need might occur a couple of times annually. The Alaska Marine Highway System did its best to keep its vessels running. Some years were better than others.

Vice-Chair Ortiz returned to the topic of union contracts and negotiations between management and unions. Based on the conversation so far, it was his interpretation that there had been little willingness on the part of the unions to make concessions regarding the outsourcing of services. He relayed that over the previous 10 years there had been numerous occasions where the unions for the ferry system had made accommodations regarding contracting out. He asked if the information was true, or whether they had shown no willingness to cooperate when management made requests.

Captain Falvey asked whether Representative Ortiz was talking about outsourcing route or negotiating collective bargaining agreements. He was unsure about the question.

Vice-Chair Ortiz responded that he was speaking about both. He asked, when the state approached the bargaining groups about concessions of any sort, if there had been a willingness on the part of the unions to discuss and make concessions.

Captain Falvey replied that generally speaking they did. The ferry system had an outsourcing contract agreement for the villages out of Juneau or Sitka. In the past, if the state got into a situation where AMHS needed to provide extra service, the unions had agreed to outsource Lynn Canal, Haines, and Skagway. He thought that as the state negotiated with the bargaining units, there was give and take. He explained that when the department sat down to negotiate, management would set out a series of wish lists to be negotiated. Typically, agreements were reached.

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Vice-Chair Ortiz suggested that for someone managing a gift shop on a vessel, their wages were not specific to being gift shop managers. Rather, it was because of their membership with the Inlandboatmen's Union (IBU) and going through the process of moving up and gaining wage increase based on experience. He asked if he was correct.

Capitan Falvey responded that, in general, he was correct. There were different categories of wage descriptions that were fully bargained. In the case of the gift shops and bars, all of the IBU staff were placed into other positions shipboard. There was no loss of employment because of the

shutting of the gift shops. The department moved the shipboard staff into other positions. As far as fully burdened wages, he would defer to Matt McClaren.

Vice-Chair Ortiz asked about the bar manager being paid \$110,000 per year. The issue was not the specific job. It was about a specific person rising to a level of pay based on their seniority. He asked if he was accurate. Captain Falvey responded that Representative Ortiz was correct. He clarified that the number was fully burdened with benefits - not just wages.

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Representative LeBon clarified that the gift shop and bar employees were not laid off. The last time he rode on the ferry system in 2017 the bar was not open. He asked if that since there were a number of bargaining agreements, he suspected one of the agreements had to cover the bar and gift shop. He asked if there might be another opportunity to renegotiate the status of the bar and gift shop. He wondered if the negotiation would be coming up soon.

Captain Falvey replied that it might be an issue that could be addressed through a letter of agreement. The state was only a year into the contract with IBU and would be another year before the state took up negotiations again. The contracts were typically a duration of 3 years. The only way around the contract would be to discuss a letter of agreement.

Representative LeBon admitted his question was not all that fair. He provided a private sector story whereby he financed a hotel, bar, and restaurant business when he was a banker. He had asked the owner about different parts of his business. He also asked about the restaurant. He asked how it was to operate the restaurant. The owner indicated he did not operate the restaurant but leased the space to someone who ran it. The only rent he charged the restaurateur was \$1 per month. But the restaurant owner had to provide the best service possible to the building owner's hotel and bar guests.

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Representative Edgmon looked at the 7 challenges listed on slide 2. He suggested the bottom 2 were situational

challenges. The top five challenges were systemic challenges that had existed for a significant time. He thought an item was missing - lack of a collective vision on how to transition AMHS. It had become outmoded, too expensive, with rotting steel and expensive engines. Costs were through the roof but the service needs were still there. He recalled having similar discussions in the 1980s. He hoped the deputy commissioner or Captain Falvey could provide some input. He mentioned the governor's 9-member advisory board. He wanted to see a collective vision and did not think there had been. He asked if he was correct.

Mr. Carpenter agreed that the strengthening of the governance toward the AMHS should have been on the list of challenges, as it was one of the primary recommendations of the governor's working group study. It was also the driver behind one of the governor's bills that was introduced. Representative Stutes also had a bill to create a new revised board to replace the Marine Transportation Advisory Board (MTAB). The bill would help to give the board more business acumen and be more removed from political whims. Based on where AMHS was presently, the state needed to regroup and find a path forward. He thought the new board would be a step in the right direction.

2:56:20 PM

Representative Thompson asked if the inventory from the bars and gift shops was still in the possession of AMHS. Captain Falvey indicated the inventories had been auctioned.

Representative Wool had met someone the other day who had been a staffer to the transportation committee who confirmed that there had been talk previously about reorganizing the ferry system like the railroad to avoid changing direction every time a new administration takes office. Many people thought it was a great idea and took the politics out of the equation. The change would mean a long-term vision for the system rather than a vision that only lasted 4 years. He hoped such a plan would move forward. He had seen the ferry system change significantly in his previous 6 years in office. He also spoke in support of bringing back the bars and gift shops on the ferries. He reiterated that he believed the AMHS should be run similar to the Alaska Railroad. He asked about assets owned by the AMHS.

Representative Carpenter agreed that the railroads were off budget in that they were outside of the executive budget act. They were also self-sustaining, as they no longer received state monies. He thought it spoke to the railroad's ability to generate revenue. The Alaska Marine Highway System did not have a land base. Although the ferry system had some state terminals, they did not generate any monies, and AMHS had expensive ships. He reported that determining the most sensible governance structure for AMHS was the largest challenge for the working group. The group agreed that a corporate structure like the railroad or a structure insulated from the legislature would be most ideal. He added that there were some benefits of AMHS being a part of DOT given the intermodal transportation aspects. He agreed that the difference between the railroad and AMHS was substantial. If the system became a corporation or a separate entity, it would need to become self-supporting. Otherwise, it would always require a state contribution. The issue was a challenge.

Representative Carpenter asked for an update on the M/V Malaspina.

Mr. Carpenter responded that the M/V Malaspina was tied up in Wards Cove and had been since 2019. The state had recently divested itself of the two fast vehicle ferries. He believed the M/V Malaspina was next on the list. There had been minimal interest from buyers. The department was also looking at other options such as skuttling the vessel. He was talking with the Environmental Protection Agency about taking all of the asbestos out and creating a reef somewhere. Another option would be to salvage the steel. He advocated addressing the issue sooner rather than later because of the cost to the state keeping her tied up.

Representative Carpenter thought cleaning a vessel the size of the M/V Malaspina to a certain environmental standard prior to scuttling would be costly. He wondered how much it would cost. He thought handing the vessel over for scrape might not cost as much.

Mr. Carpenter estimated that the clean-up cost would be between \$500,000 to \$1 million. If someone was interested in purchasing the M/V Malaspina, the department would gladly sell the vessel. He thought the department might want to revisit the possibility of selling the M/V

Malaspina. However, he noted the difficulty the department had in selling the two fast ferries recently sold. It was challenging to sell a vessel currently, especially one as old as the M/V Malaspina.

Representative Carpenter asked if it was possible to give the vessel away rather than scuttling it or selling it. Mr. Carpenter believed the department could give it away. He invited Captain Falvey to comment. Captain Falvey noted that to sell the vessel to a foreign entity, the department would need permission from the United States Department of Transportation. There was a process the state would have to complete to get permission from the federal government.

[3:06:31 PM](#)

Mr. Carpenter turned to slide 3 to review the historical revenues and operating costs of AMHS. The pink bars on the bottom represented the revenue generated by AMHS. The dark blue bars on top represented the unrestricted general funds (UGF) funded by the state. The red and blue bars combined equaled the budget for AMHS back to 1991. The dollars were adjusted for inflation to show the bigger buying power of older dollars. Next, he pointed to the squiggly yellow line that showed the fare box recovery rate. On the right vertical axis, the percentages could be seen. The squiggly line was at 60 percent and declining in the 1990s to 2000s. It took a significant drop in the mid-2000s. He highlighted the bubbles in the dark UGF.

Mr. Carpenter reported that in the later years to the present day the percentages plummeted as a result of the revenue impacts from Covid-19. The ferry system had experienced unrealized revenue of about \$45 million. The final bar in the right showed the FY 22 governor's budget. The department was anticipating a return of normal revenue. He explained that with the proposed UGF portion, AMHS would reach above a 50 percent fare box recovery. It had been the intent of the last 2 fiscal years prior to the Covid impact. The graph emphasized that in earlier years AHMS was at nearly 50 percent - a ratio of 50 percent revenue to 50 percent state funds. There was a change from 2008 to 2019. In that span, the fast ferries came online; there were some significant wage increases; and there were huge oil prices and cost drivers contributing; and there were ports of call added driving up the need for UGF.

Vice-Chair Ortiz referred to the yellow line which he saw as a positive sign. He asked the basis of the upward trend. Mr. Carpenter thought there was a hope of returning to a somewhat normal schedule. The ferry system demand had increased from the previous year. He deferred to Matt McLaren to provide additional information.

3:11:13 PM

MATT MCLAREN, BUSINESS MANAGER, MARINE HIGHWAY DIVISION, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, replied that when he prepared the budget for the governor to review, he looked at the ships that would be available and the circumstances around Covid pandemic. He was directed to aim for a 50 percent recovery. He reported that everything he was seeing with summer bookings appeared in line with a normal fiscal year. The car decks were filling up especially out of Bellingham, Washington, and the cross-Gulf routes. There was significant military traffic due to relocations from the Lower 48 to military bases in Alaska. Based on what he was seeing, he thought it was a safe projection. The Alaska Marine Ferry System was also adjusting its schedule. There would be fewer ships which would decrease costs. Yet, the system would still meet the demand for traffic. He would address the topic in another slide.

Representative Carpenter asked for the dollar figure for military transfers. He also wondered about revenues associated with a scenic highway designation. Mr. McLaren did not have the military total in front of him. He could pull the data for the previous few years and provide the information to the committee.

Representative Wool noted that the graph showed an increase in the recovery rate from a pre-pandemic of 35 percent in 2019. It was the high-water mark from 2012. He wondered how much of the change from 35 percent to 50 percent was based on rate increases. He suggested that if the AMHS increased the rates downward pressure would be placed on the end user.

Mr. McLaren pointed to the salmon portion of the bar chart from 2017 through 2019. There were some increases in revenues over those years due to rate increases. The following couple of slides would show more detail on revenue generation. Looking at the FY 22 governor's

proposed budget, the largest factor influencing a jump in the percentage was that costs were quite a bit lower than in 2019. The cost recovery percentage, the percentage of the total expenditures being covered with revenues, was a higher percentage.

Representative Wool noted that recovery was high but net sales were not much higher. Rather the expenditures were less. He asserted that the percentage of cost recovery should not be confused with increased revenues. Mr. McLaren responded, "That is correct." He relayed that historically in the 1990s revenue was pretty consistent. The change was due to the total expenditures as opposed to revenue increases.

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Representative Rasmussen asked what happened between 06 and 08 where the recovery rate dropped significantly and most recently spiked up. It gave her pause.

Mr. Carpenter noted that in 07 and 08 oil prices went through the roof. He reported that there was a combination that drove the UGF portion, represented in blue, upwards. Due to high oil prices the cost of fuel was significantly higher. Also, two new fast vehicle ferries came online along with added ports of call and operating weeks. At the time, the state was flush with money allowing the ferry system to provide more service. Therefore, as revenue increased and AMHS was incurring more costs, it made the ratio of the total budget covered by revenue decline from 50 percent to 30 percent. He wanted to see thing return to the 50 percent level of revenues to the total state budget while still providing the same level of service with less ships. He hoped to utilize more capacity.

Mr. Carpenter moved to slide 4 and deferred to Matt McLaren. The slide showed AMHS' revenue and operating weeks from FY 13 through FY 22.

Mr. McLaren wanted to look at further detail for the preceding 10 years of revenue generation compared to the number of operating weeks represented by the blue line. He equated operating weeks to the level of service provided by the ferry system. As the budgets and total funding had decreased over several years, AMHS provided fewer and fewer operating weeks since FY 13. For FY 18 and into FY 19 there

was a slight bump up. The ferry system had a fairly level revenue stream with a slight drop in FY 16. However, from FY 16 through FY 19 AMHS increased tariffs and implemented dynamic pricing helping with revenue generation in those years. In FY 20 and FY 21 the impacts of Covid-19 had greatly diminished revenues. He indicated that because AMHS used its revenues to operate in the years the revenues were generated there were fewer operating weeks in FY 20 and in FY 21. In FY 22, AMHS was projecting just over \$47 million in revenues at 241.9 weeks of service.

3:21:08 PM

Vice-Chair Ortiz suggested that slide 4 strictly spoke about revenue generated by the marine highway system. Revenues went from \$24 million up to \$47 million. He wondered how much those numbers were influenced by breakdowns in the system. He had heard about the historical data about breakdowns and about the aging fleet. He wondered if the system was reliable enough to earn \$47 million in revenues.

Mr. McLaren responded that the projection was based on reaching the number of operating weeks projected. If the system had breakdowns or shipyard delays, the revenue number could be affected. With fewer vessels able to operate, there were less back up vessels the state could depend on to capture revenue. He reiterated that the amount of revenue that could be earned by the ferry system was dependent on the number of weeks it could provide service.

Representative Carpenter commented on the number of operating weeks. He did not have an understanding about the number of operating weeks without knowing the demand. He wondered if demand was declining based on the number of weeks the system was operating. He needed context. Mr. McLaren responded that regarding demand he could provide some utilization information. However, the following slide would provide correlation between operating weeks and revenue generation.

Representative Carpenter was happy to wait until the next slide. He thought it was unclear whether a trend line that showed a decrease in operating weeks was good or bad without knowing the demand for service. He suggested that if there was less demand for service it might be a good thing to provide less weeks of service. He needed

additional information. Mr. McLaren noted the department had some ridership charts that might address questions about demand and ridership levels.

3:25:20 PM

Mr. McLaren advanced to the bar chart on slide 5: "Revenue Per Operating Week: FY2011 - FY2020." The slide showed the correlation between the number of operating weeks and revenue generation. He was trying to see how much revenue was generated in each week of operation. He wanted to see if providing more service generated revenue or did providing less service make things more efficient while meeting demand. The chart indicated that from FY 11 to FY 20 there had been a steady increase in the amount of revenue the system had been able to generate each week of operation. FY 20 was an exception because of Covid which impacted the revenue generation per week. In FY 16 through FY 19 the system showed a steady increase because of dynamic pricing and the tariff increases. They had helped generate more revenue in each week of operation.

Representative Carpenter asked Mr. McLaren to provide the number of sailings that were booked at max capacity. It would help him to understand the demand. Mr. McLaren could provide the information.

Vice-Chair Ortiz asked why increasing the number of operating weeks might not equate to increased demand. He returned to slide 3. A remark was made how the state had significant amount of money between FY 09 - FY 12 and poured UGF monies into the marine highway system which increased the number of operating weeks. However, he asked if some of the sailings provided services to areas in need but that were not in high demand and did not generate much revenue. He surmised that there would not necessarily be a higher demand overall because although there were areas that needed service, they had smaller populations which would not fill the vessels. He asked if he had made a safe assumption.

Mr. McLaren replied in the affirmative. At the time the fast ferries started operating but the traffic numbers remained consistent in those years compared to the most recent traffic even though AMHS was running two ships with greater frequency.

3:29:45 PM

AT EASE

3:30:56 PM

RECONVENED

Co-Chair Foster indicated the committee would pick up with the presentation in the following day at the regularly scheduled meeting at 1:30 P.M.

#

ADJOURNMENT

3:31:45 PM

The meeting was adjourned at 3:31 p.m.